

Message Text

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PAGE 01 QUITO 01482 070334Z

72

ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 L-03 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 PA-04

PRS-01 USIA-15 DRC-01 /141 W
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R 061537Z MAR 74

FM AMEMBASSY QUITO

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E.O. 11652:: N/A

TAGS: PINT, EAGR, EC

SUBJECT: GOVERNMENT TAKES MODEST STEP TO EASE FARM DISCONTENT

REF: QUITO 1118; A-149 OF DECEMBER 11, 1973

1. SUMMARY: DECREE NO. 199 PUBLISHED FEBRUARY 28 HAS CHANGED AGRARIAN REFORM LAW (SEE REFAIR) TO PROVIDE FOR CASH PAYMENT AT CURRENT ASSESSED VALUE FOR TAX PURPOSES OF LAND FULFILLING "SOCIAL FUNCTION" BUT WHICH IS NEVERTHELESS EXPROPRIATED BY STATE BECAUSE IT WILL BENEFIT FROM IRRIGATION PROJECTS OR BECAUSE OF DEMOGRAPHIC PRESSURE IN AREA WHERE LAND LOCATED. GOVERNMENT ACTION FOLLOWED WEEKS OF PROTEST BY FARMERS AND DETENTION OF SOME FARM LEADERS TO SMOTHER EXPRESSIONS OF DISCONTENT. FARMER COMPLAINTS WILL CONTINUE, HOWEVER, AND MORE PRESSURE ON GOVERNMENT TO DEAL WITH THIS INTRACTABLE PROBLEM WILL BE EXERTED BY CONSUMERS AS WELL AS FARMERS. END SUMMARY.

2. CONSCIOUS OF INCREASING DISCONTENT OF FARMERS WITH CERTAIN PROVISIONS OF AGRARIAN REFORM LAW AND DISCONTENT OF CONSUMERS WHOSE COMPLAINTS REGARDING HIGH PRICES AND SHORTAGES OF FOOD PRODUCTS ARE INCREASING, GOVERNMENT TOOK MODEST STEP TO RELIEVE
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PAGE 02 QUITO 01482 070334Z

FEARS OF FARMERS AND THEIR ORGANIZATIONS BY ADOPTING DECREE

NO. 199 WHICH PROVIDES FOR CASH PAYMENT AT CURRENT ASSESSED VALUE FOR TAX PURPOSES OF LAND FULFILLING "SOCIAL FUNCTION" BUT WHICH IS NEVERTHELESS EXPROPRIATED BY STATE BECAUSE IT BENEFITTED FROM STATE IRRIGATION PROJECTS OR BECAUSE OF DEMOGRAPHIC PRESSURE IN AREA WHERE LAND LOCATED. THRUST OF NEW DECREE IS TO ENCOURAGE AGRICULTURAL PRODUCTIVITY AND INVESTMENT IN GOE'S "YEAR OF AGRICULTURAL DEVELOPMENT". IT REPLACES PROVISIONS OF LAW PROVIDING FOR COMPENSATION AT 1964 VALUES WITH NON-TRANSFERABLE GOVERNMENT BONDS.

3. GOVERNMENT ACTION FOLLOWED WEEKS OF PROTEST TRIGGERED BY MINISTER OF AGRICULTURE'S DECISION TO REMOVE SUBSIDIES FROM CANTONAL AGRICULTURAL ORGANIZATIONS AS WELL AS PROVINCIAL AND NATIONAL FARMER BODIES AND SUBSTITUTE MINISTERIAL TECHNICIANS FOR THOSE SUPPORTED BY SUBSIDY. FARMERS AND THEIR ORGANIZATIONS INTERPRETED THIS MOVE AS POLITICAL ATTACK ON THEM BY SPITEFUL MINISTER WHO HAD BEEN BUTT OF THEIR DISCONTENT FOR SOME TIME. COASTAL CHAMBER OF AGRICULTURE OPENED ATTACK ON GOVERNMENT POLICY WITH PUBLIC PERSONAL ATTACK ON MINISTER COUCHED IN INTEMPERATE TERMS COMPLAINING OF PROVISIONS OF AGRARIAN REFORM LAW WHICH THEY CLAIMED GOVERNMENT AND ITS AGENCIES WOULD USE TO PURSUE COURSE AIMED AT "SOCIALIZING" AGRICULTURE, AND OF UNREALISTIC PRICING POLICY FOLLOWED BY GOVERNMENT WHICH INHIBITED AGRICULTURAL INVESTMENT AND ACCOUNTED FOR DECLINE IN PRODUCTION AND WORSENING AGRICULTURAL PRODUCT SHORTAGES. GOVERNMENT REACTED BY IMPRISONING PRESIDENT OF COASTAL CHAMBER DR. CASTROL BENITEZ AND OTHER COASTAL FARM LEADERS FOR ALMOST ONE WEEK. REASONS FOR DETENTION WERE DISRESPECT FOR MINISTER AND GOVERNMENT AND, UNENUNCIATED, DESIRE TO SMOTHER PROTESTS DURING SECOND ANNIVERSARY OF RODRIGUEZ LARA REGIME.

4. NEW DECREE DOES NOT ALTER PROVISIONS RELATING TO EXPROPRIATION OR FAILURE TO OBSERVE PROVISIONS OF LABOR CODE RELATING TO FARM LABOR AND WE ARE SURE FARMERS WILL PERSEVERE WITH ARGUMENT THAT INVESTMENT IN NO OTHER INDUSTRY IS PENALIZED BY EXPROPRIATION FOR LABOR CODE INFRACTIONS. THEY WILL ALSO CONTINUE TO COMPLAIN THAT THIS AND OTHER PROVISIONS RELATING TO EXPROPRIATION OF LAND BENEFITTING (FARMERS CLAIM HOWEVER MARGINALLY) FROM NEW GOVERNMENT IRRIGATION PROJECTS, ETC. INHIBIT INVESTMENT AND, IN PART, ACCOUNT FOR STAGNATION IN AGRICULTURAL PRODUCTION. REGULATIONS LIMITED OFFICIAL USE

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PAGE 03 QUITO 01482 070334Z

IMPLEMENTING APPLICATION OF OCTOBER LAND REFORM LAW ARE STILL BEING DEVELOPED AND WILL UNDOUBTEDLY PROVOKE FURTHER CONTROVERSY.

5. COMMENT: GOVERNMENT HAS GIVEN NO INDICATION IT INTENDS TO BOW TO DEMANDS OF ECUADOR'S CONSERVATIVE FARMERS AND DEPOSE MINISTER. PRESIDENT HIMSELF HAS SAID HE INTENDS TO IMPLEMENT PROGRAM TO INSURE THAT LAND FULFILLS ITS "SOCIAL FUNCTION" AND

THAT MARGINAL RURAL POPULATION IS INCORPORATED INTO MONEY ECONOMY. STRONG SUPPORT FROM WELL ORGANIZED FARM COOPERATIVES AND SOME SMALL FARMERS DURING ATTACKS ON MINISTER AND GOVERNMENT BY LARGER FARMERS TESTIFY TO SUCCESS OF GOVERNMENT PROJECTS IN SOME AREAS OF AGRICULTURAL DEVELOPMENT, BUT FUNDAMENTAL PROBLEMS REMAIN. IN CHANGING ECUADOR, FARM LABOR IS IN SHORT SUPPLY FOR THE FIRST TIME CAUSING INCREASED DEPENDENCE ON EXPENSIVE FARM MACHINERY AND OTHER FARM INVESTMENT AT TIME WHEN CONTROLLED PRICES AND UNCERTAINTIES IN IMPLEMENTATION OF AGRARIAN REFORM LAW INHIBITS FARM ACTIVITY. IN VIEW OF AWARENESS OF GOVERNMENT OF DIFFICULTIES IT FACES IN AGRICULTURE AND IN SATISFYING CONSUMER DISCONTENT WITH SHORTAGES AND HIGH PRICES, GOE WILL PROBABLY SEEK RELIEF THROUGH FOOD IMPORTS AND/OR A SUBSIDY PROGRAM FINANCED WITH OIL REVENUES RATHER THAN ALLOW CONTROLLED PRICES TO RISE MUCH. THIS CANTANKEROUS FOOD PROBLEM REPRESENTS ONE OF THE PRESENT GOVERNMENT'S REAL DIFFICULTIES AND FAILURE TO ALLEVIATE IT COULD THREATEN THE STABILITY OF THE REGIME.
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